

## The analysis of selected parameters characterising economic condition of furniture manufacturer - Forte SA

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**Abstract:** *The analysis of selected parameters characterising economic condition of furniture manufacturer – Forte SA.* In this paper changes of the major values affecting the economic condition of any enterprise, regardless of the form of business and type of activity were analysed on the example of Forte SA - a representative of furniture industry. This values analysis can provide many useful data, namely facilitate the decision of potential investors and contractors. The data can be useful for further, more detailed analysis, primarily in the competitiveness analysis of individual wood industry enterprise at the domestic wood industry market but also compared to companies from other countries.

*Keywords:* profitability, liabilities, economic condition, furniture industry.

### INTRODUCTION

Although the analysis of the economic situation of selected company even by the beginner investigator may seem quite simple, but an amateur analyst can skip a number of important economic values. That unfortunately happens quite often. Conducting the analysis in the direction of future investments in the stock market an amateur analyst focuses mostly on values such as net profit and gross profit, values resulting from company functioning in given period.

In addition, beginner researcher in his analysis focuses mostly on the results of period which he is interested in, forgetting that the values of past periods can significantly affect future results and decisions taken by company's managers, related with its future market strategy. An amateur investor is also affected by the current mood of the stock exchange, and so the market psychology, following "the crowd" one time, another time taking decisions "against the market." Failures may result in discouragement to invest in the stock market. While the novice researcher may be affected by current mood, the flawed decisions can bring uncertainty and large losses in the future for prospective contractor.

In the analysis of the company economic situation many factors are used in greater or lesser degree affecting the company situation. The most significant are: the financial result, operating profit, sales revenues, selling costs, receivables or liabilities.

### RESULTS

In this paper the analysis of changes in selected economic values of representative of furniture industry, Forte SA in 2006-2010 was analysed. The data was taken from the company's quarterly statements publicly available. The analysis was based on changes in the values of the operating profit, changes in sales revenues and changes of short-term and long-term debt.

Figure 1 shows the changes in volume of sales revenues achieved by the Forte SA company in each quarter in 2006-2010. Baselines are the sales revenues achieved by the company in the subsequent quarters of 2005.

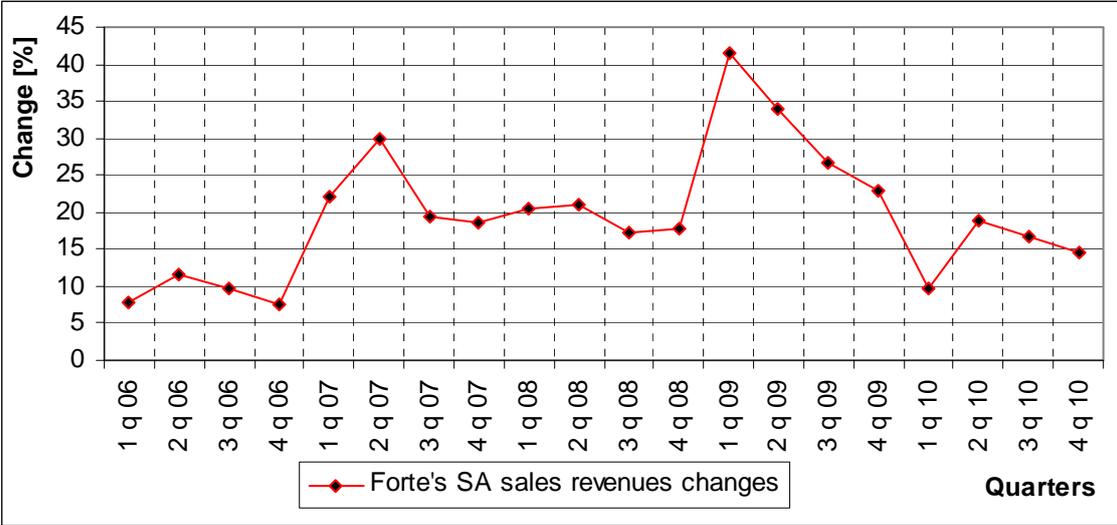


Figure 1. Forte’s SA sales revenues changes in 2006-2010 (2005 subsequent quarters = 100%)

Figure 1 analysis shows that in the first analyzed year sales revenues were relatively stable and reached around 10% of the value recorded in the same quarter in 2005.

The value of sales revenues in 2007 ranged from about 20 to 30% higher than in the base year. In 2008, Forte SA reported sales revenues reaches 20% growth in relation to the correspondent period in 2005.

Despite a very good start in 2009 (sales revenues in 1<sup>st</sup> quarter of 2009 increased by over 40% of the size recorded in the corresponding quarter of 2005), in subsequent quarters sales revenues are reduced. The lowest value of the sales revenues Forte SA recorded in 1<sup>st</sup> quarter 2010. The situation allows to negatively evaluate the decreasing of sales revenues in this period by only almost 10% compared to 1<sup>st</sup> quarter 2005. In subsequent quarters, the sales revenues are improving, but the highest value of sales revenues obtained by company in the last year of the analysis is even lower than levels noted in 2008.

Figure 2 shows a graphic illustration of changes in operating profits in the company Forte SA.

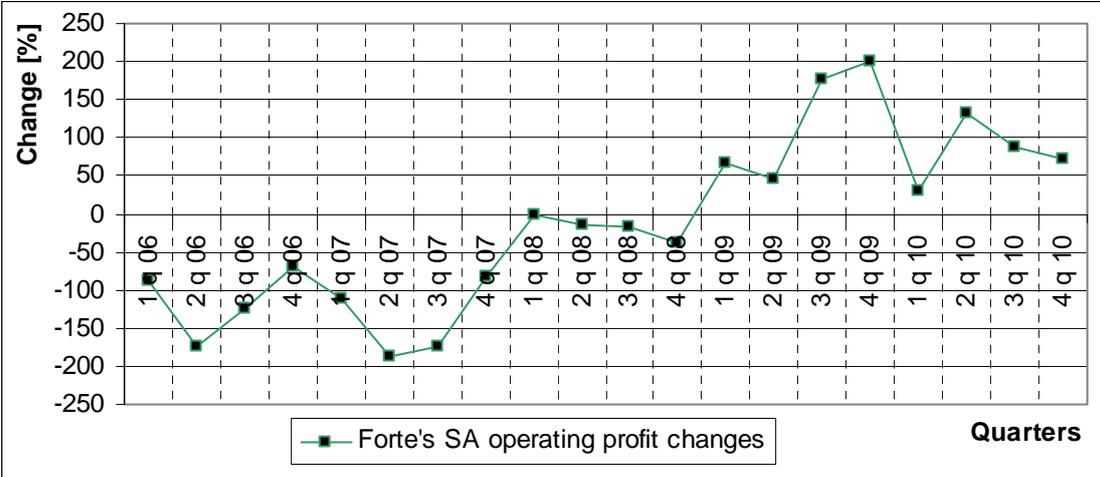


Figure 2. Forte's SA operating profit changes in 2006-2010 (2005 subsequent quarters = 100%)

Analysis of changes in operating profits of Forte SA presented in Figure 2 shows that usually in the last quarters of the years the amount of operating profit is highest. The exception is the year 2008, in which the higher operating profit of the company was recorded in 1<sup>st</sup> quarter. As in the case of sales revenues, in the first two years of analysis the operating profit values generated by Forte SA remain at a similar level, but they are up to 2 times lower than the volume recorded in 2005. Only in 1<sup>st</sup> quarter 2008 operating profit volumes are similar to those of the corresponding period of 2005. The highest value of operating profit throughout all the period were recorded in the 4<sup>th</sup> quarter of 2009 - a change compared to the same quarter of 2005 amounted to approximately 200%. In the last year of the analysis, the operating profits are reduced again - in the best quarter, they amount to little more than 50% of values from 2005.

The analysis of changes of the company long-term liabilities in 2006-2010 shows Figure 3.

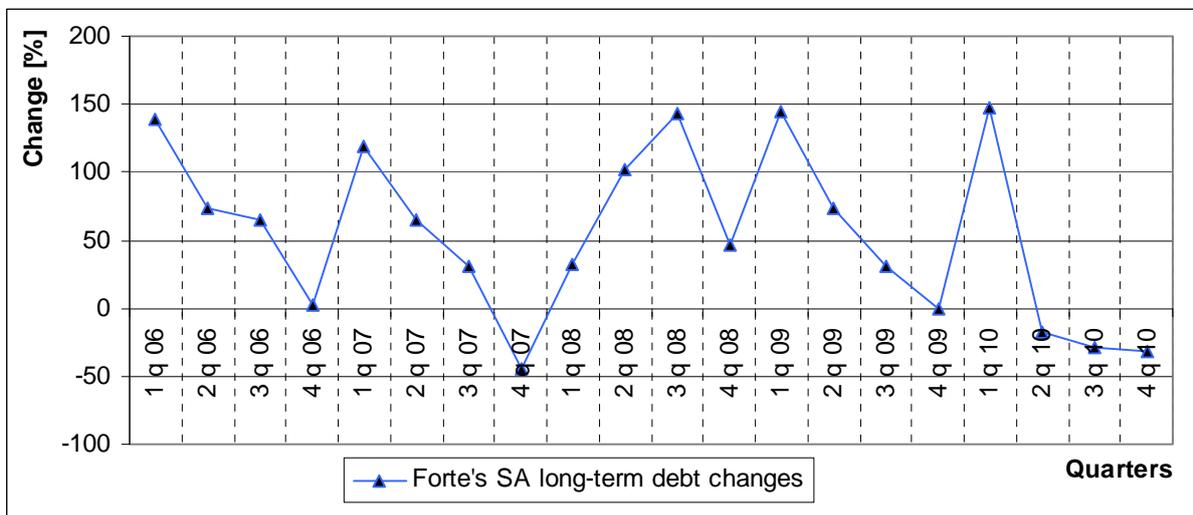


Figure 3. Forte's SA long-term debt changes in 2006-2010 (2005 subsequent quarters = 100%)

The Figure 3 analysis shows that the company maintains its long-term debt to less than 1,5 times the debt of 2005. This is a very optimistic premise for potential investors and contractors, because despite the increase in production costs with an inflation increase, the company reduces the amount of long-term loans to remain the same or lower level. It is worth mentioning the year 2010 in which company, possibly analysing the economic situation and the global crisis decreases its debt to a level even lower than in 2005.

The Figure 4 shows a graphic illustration of changes in the values of Forte SA short-term debt in the years 2006-2010.

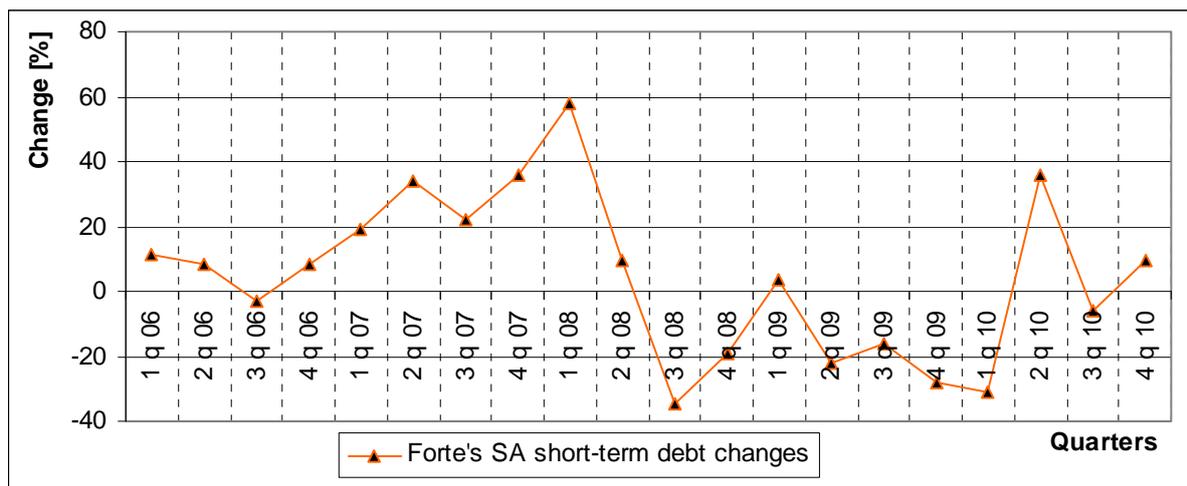


Figure 4. Forte's SA short-term debt changes in 2006-2010 (2005 subsequent quarters = 100%)

Short-term debt of the Forte SA company, which Figure 4 shows reached the maximum value in the 1<sup>st</sup> quarter of 2008, it was almost 60% more than in the corresponding period of 2005. Figure 1 analysis shows that the amount of short-term debt unit 2008 was at a fairly high level. From 2008, Forte SA is trying to reduce the debt (to the end of 2008 a short-term liabilities are less than about 20% of the volume of 2005). In 2009, the company continues its policy of maintaining low debt levels. The amount of short-term debt increases again in 2010.

## CONCLUSIONS

Analysis of selected economic values, that characterize the economic situation of Forte SA allow to note that the year 2009 was particularly successful for the company. In this year Forte SA recorded the highest values of operating profit, while repay its short-term and long term liabilities. Analysis of more than one year of company functioning and the reference of economic values to a single continuous period in the company's history only allows to reliably assess of the entity. It is also important to use several economic values, because considering only a selected value can not give the correct picture of the whole economic situation of a company.

Analyst studying the economic situation of a company having the most important data directly from the company should also uses the data related with national economy and the information derived from foreign markets. In the case of the Polish economy the most important information that could affect the company are the results of inflation, which may be associated with an increase in energy and fuel costs and the potential increases in interest rates, which may affect the cost of credit.

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**Streszczenie:** *Analiza wybranych wielkości charakteryzujących kondycję ekonomiczno – finansową producenta mebli, spółki Forte SA. W niniejszym opracowaniu poddano analizie zmiany najważniejszych wielkości ekonomicznych wpływających na efektywność gospodarowania każdego przedsiębiorstwa niezależnie od formy prawnej jego działalności oraz branży, w której funkcjonuje. W pracy ocenie efektywności gospodarowania poddano przedstawiciela branży meblarskiej, spółkę Forte SA. Analiza przedstawionych wielkości dostarczyć może wielu pomocnych danych, przede wszystkim ułatwić ocenę sytuacji ekonomiczno – finansowej przedsiębiorstwa potencjalnym inwestorom i kontrahentom oraz posłużyć w dalszych szczegółowych analizach konkurencyjności jednostki na rynku drzewnym w Polsce a także na tle innych przedstawicieli branży na świecie.*

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